

May 5, 2017

The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Pai,

I write to express support for the petition filed with the Federal Communication Commission (“FCC”) on April 19, 2017 by the Pennsylvania Public Utility Commission and the Pennsylvania Department of Community and Economic Development (“the petition”) requesting a modification to the FCC’s Connect America Fund Phase II (“CAF II”) auction rules.¹ I am grateful for your thoughtful reply to my previous letters to the FCC on this subject. Based on your reply, I am hopeful the FCC will reach a positive outcome on this matter and ensure Pennsylvanians benefit from federal assistance in support of expanding broadband access.

As outlined in my previous communications, I am primarily concerned that the \$23.27 million in CAF II model-based support declined by Verizon Pennsylvania incumbent local exchange carriers be retained by the state. I feel it would be unfair and contrary to the universal service goals of the FCC for this funding, originally designated for high-need locations in Pennsylvania, to be sent elsewhere purely based on the decision of a single carrier. I was heartened to read in your April 3, 2017 reply letter to me that you agree. “Like you, I believe it would be unfair to rural Pennsylvanians to tie their opportunity for high-speed Internet access to the decision of a single company,” you wrote.

In its *CAF II Auction Rules Order*, the FCC finalized rules to govern the nationwide auction process the FCC plans to use to determine the distribution of declined CAF II funds, like the \$23.27 million from Pennsylvania. The petition recommends a simple modification to the auction formula to increase the likelihood that bidders in Verizon-declined census blocks in Pennsylvania win the funds to which they were originally entitled. I wholeheartedly support this recommendation.

The petition seeks a single, specific modification that would apply a weight to promote bids only in Verizon-declined census block and only where the Pennsylvania State Government adds value. This simple adjustment would not complicate the FCC’s formula. At the same time, by explicitly encouraging increased state-level support for broadband expansion it would serve the

¹ In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments, WC Docket Nos. 10-90, 14-58, and 15-259

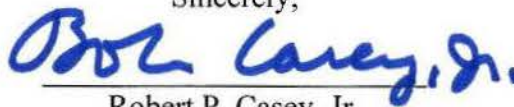
FCC's stated goal of "maximizing the effectiveness of [CAF II] funds to serve consumers across unserved areas with our finite budget."²

In your April letter to me, you stated: "One of my top priorities as Chairman is closing the digital divide for rural Americans who lack sufficient high-speed Internet access." Beyond leveraging state support to increase the reach of CAF II funds, the proposed modification will advance this priority too. As outlined in the petition, if declined funds are reallocated outside Pennsylvania, it could deepen the digital divide within many of the 64 counties served by Verizon. For example, if declined funds are reallocated outside Pennsylvania, in Huntingdon County, where more than a quarter of the population lacks broadband access according to FCC data, almost 3,000 households and businesses in Verizon's service area would miss out on over \$1.1 million in CAF II funds designated to expand their broadband access. Meanwhile, in the same county, the almost 4,000 households and businesses served by other providers who accepted CAF II funds would fully realize the benefits of the roughly \$1.4 million in CAF II support designated for their areas. In this way, an auction that reallocates declined CAF II funds outside of Pennsylvania risks undermining the FCC's priority of closing the digital divide. The proposed modification would instead serve this goal.

In short, the simple modification to the auction formula proposed in the petition is modest in scope and represents an effective and economical way to ensure Pennsylvanians see the benefits of the CAF II funds that were originally designated for them, an outcome you and I both support. Pennsylvania is a diverse state, dotted with small towns, big cities and everything in between. One constant no matter where you live is that high-speed Internet access is essential to full participation in modern social and economic life. I urge you to grant the petition to ensure that the state retains the \$23.27 million in declined CAF II funding for the sake of the thousands of Pennsylvanians who seek just that.

Again, thank you for your thoughtful engagement on this important issue. I appreciate your consideration and look forward to your response.

Sincerely,



Robert P. Casey, Jr.
United States Senator

² CAF Phase II Auction Rules Order at 4, ¶ 14.



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

June 20, 2017

The Honorable Bob Casey
United States Senate
393 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Casey:

Thank you for your follow-up letter in support of a petition for reconsideration filed by the Pennsylvania Public Utility Commission and the Pennsylvania Department of Community and Economic Development, which requests a modification to the Connect American Fund (CAF) Phase II competitive bidding process rules. Your views are very important and will be entered into the record of the proceeding and considered as part of the Commission's review.

The Commission's Wireline Competition Bureau (WCB) sought public comment on the petition for reconsideration, and the comment cycles on the matter have been completed. Commission staff is carefully reviewing the record in the proceeding. I can assure you that we will take into consideration the issues and concerns presented by all stakeholders as the Commission makes every effort to conclude its review as quickly and equitably as possible.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, which appears to read "Ajit V. Pai".

Ajit V. Pai